



New York Times Real Estate - November 5 2006
By TERI KARUSH ROGERS

Which Building Improvements Really Pay Off?



VIEW OF THE PARK Shareholders in a co-op on West 81st Street decided to spend \$259,000 to build a roof deck on their building expecting property values to rise.



PEOPLE who bought their New York City apartments before the real estate boom have spent the last few years reveling as their investments ballooned. Lately, though, the euphoria has dimmed for some as civil wars have erupted over how — or whether — to spend money to improve their buildings.

< The rooftop about a year ago.

On one side of the deepening schism are boom-era buyers seeking to spruce up their buildings to protect resale values and surround themselves with a level of grandeur commensurate with the size of their investment.

But some of their more tenured neighbors (a portion of whom continue to be branded themselves as “yuppie scum” or worse by the renters they displaced) resist fixing what doesn’t seem broken. Some also shrink from anteing up for what they consider frivolous plastic surgery on top of maintenance charges already swollen by the spiking costs of fuel, taxes and insurance.

“There’s always tension between those groups,” said Harriet Kaufman, a senior managing director at Warburg Realty. “People who’ve spent a lot of money really want a lot of amenities, and they have more money than the other owners. They want nicer hallways and lobbies, better uniforms, better services. But if you’ve been there for a while, you think, ‘This looks O.K. Why do I have to go spend money and get assessed every month for this? I’m happy.’ ”

As the two factions forge uneasy compromises, both must ponder the same questions: Once the broken boilers, leaky roofs and crumbling facades are repaired or replaced, which



improvements will provide the biggest bang for the buck? And which will enhance owners' quality of life while instilling an acquisitive gleam in a buyer's eye?

Advice from real estate experts yields ammunition for both the have-enoughs and have-not-enoughs, while identifying some overlooked cheap thrills that cost little or nothing but reap big rewards.

Casting an eye toward resale values, brokers recommended attending to the urban version of curb appeal first.

"First impression is everything," said Toni D. Haber, an executive vice president at Prudential Douglas Elliman.

In other words, "the lobby, the lobby, the lobby," said Anthony vanEyck Miller, a vice president at Bellmarc Realty. "Even though the average buyer is not a designer and has not been trained in design or construction, they sense a good lobby in the same way you sense whether an apartment is nice or not. A lobby that hasn't been renovated in 20 years and obviously has scuff marks is not fresh."

A dingy lobby can deliver a death blow to a deal: "I've had people say to me, 'This is a really nice apartment, but I can't live in a building like this,' " said Margaret Furniss, a vice president at Stribling & Associates.

Still, an appealing lobby isn't necessarily elaborate or quadruple-mint. If there is a doorman, he should have a proper desk; the lobby should be brightly lighted and recently painted; any awning leading into the lobby should look crisp and untattered and should clearly display the building's address.

If the lobby lacks a doorman, the debate over hiring one can be both economic and status driven. A study to be published next summer in the University of Chicago Journal of Legal Studies found that even factoring in the higher monthly carrying charges, apartments in full- or part-time-doorman buildings sell for about 12 percent more than comparable dwellings in nondoorman buildings. One of the study's authors, Jonathan J. Miller, president of the appraisal firm Miller Samuel, said he examined 100,000 transactions in more than 6,000 Manhattan buildings over two decades.

In smaller buildings, the cost of a doorman can significantly raise maintenance charges. "If you only have 50 apartments, how do you afford a doorman?" asked Rochelle Bass, an executive vice president at Bellmarc. "Is it worth having to spend \$1,500 more a month?"

Gloria Sokolin, senior vice president of the Fox Residential Group, thinks so. She owns a seven-room apartment in a 30-unit building near Central Park in the West 70s with a part-time doorman and favors full-time doorman service because she believes it would increase her resale value, despite the additional \$1,000 a month maintenance fee. "I could sell for an extra \$700,000 to \$1 million," she said, using sales at comparable buildings on her street as a benchmark.

After tending to the lobby and hiring (or not) of a doorman, many buildings add the sorts of amenities found in newer developments. The most popular are gyms, followed by roof decks and/or playrooms, depending on available space and the particular demographics of a building's residents. With more people choosing to raise families in the city, retrofitted



basement playrooms are in vogue among buildings populated by young families and grandparents.

“A playroom is not terribly expensive if you find room for it,” Ms. Kaufman said. “It’s a very attractive thing, to have a place to go with parents and nannies.”

Done well, it can also serve as an entertaining or meeting space. When the Extell Development Corporation bought the Belnord, a prewar building on West 86th Street, where sprawling apartments with three to six bedrooms rent for \$10,000 to \$40,000 a month and surround a vast courtyard, the company converted a large chunk of ground-floor space into a daytime playroom in which the toys can be stowed behind cabinetry and the room transformed into an area for adult use.



< SETTING PRIORITIES
Gloria Sokolin would rather have a full-time doorman, instead of a part-time one, at her building in the West 70s.

The new owners of the Belnord installed a daytime playroom. >



But as developers have already discovered, the most popular amenity — measured in use by residents and demand by buyers — is a gym. In a city crammed with strivers who work out at 5 a.m. or midnight, such exercisers appreciate not having to don a coat, raise an umbrella or waste time treading to a treadmill (or to their squash or basketball courts).

“People want the convenience even if they belong to a gym,” said Gary Barnett, president of Extell, a condominium developer whose long résumé of gym-laden buildings includes the Orion near Times Square as well as the Avery and the Rushmore, now under construction on Riverside Boulevard in the West 60s.

Still, Ms. Kaufman said: “There are gyms and there are gyms. I think you have to stay with the feeling of the building. If you’re in an average nice building, you’re not going to put in a \$500,000 gym, but people are happy to have a little fitness room with a TV.”

On the other hand, warned Jonathan Phillips, a vice president at Halstead Property, those little fitness rooms can become outdated fast. “You’re looking at equipment models from five years ago, and it’s such a snobbery-driven thing,” he said.

When it comes to roof decks, it appears that Manhattanites would rather work out than chill out.

“We show apartments in buildings that have lovely roof gardens that are very charming and seductive, but there’s never anybody there, while there’s always people in the gym,” observed Roberta L. Golubock, a senior vice president at Sotheby’s International Realty.

This phenomenon can be most acute in buildings where many residents own weekend homes. Yet while it won’t necessarily close a deal, brokers said, a rooftop terrace exerts an almost gravitational pull for buyers who can’t afford private terraces or who never had



the opportunity to underutilize a roof deck. “It’s wonderful to have and people use it at the beginning, but they don’t get the use you would think,” said Phyllis J. Pezenik, the director of residential sales at DJK Residential.

In one prewar co-op building on West 81st Street, a block from Central Park, discussions about a roof deck began five years ago at the behest of the board president, who persuaded others that property values in the building would rise by 15 percent if the building’s black tar roof — with open south-facing views of the Museum of Natural History, Central Park and Midtown Manhattan — could be converted into outdoor space.

This campaign “built a groundswell of support,” recalled Larry J. Wentz, a principal of GWK Architects in Manhattan and the board member who led the roof deck committee. But the project was delayed for several years by more essential and costly work, including repointing the exterior.

The planning for the lushly planted and expensively furnished roof deck finally started a year ago. The \$259,000 project (budgeted at \$288,000) took two months to complete, with funds coming from the building’s reserves.

Yet despite positive feedback from shareholders since the deck opened in July, only a few use it. “Usually, there were two or three people up there on a summer night in perfect weather,” said Mr. Wentz, who noted that the building is now considering adding a gym on the ground floor or in the basement. So far, none of the 120 apartments have been sold, leaving the value-added theory untested.

Mr. Miller, whose appraisal firm has been hired by boards to help prioritize projects, voiced skepticism about the value of a roof deck or any standalone luxury upgrade. One or two “à la carte” amenities “seldom have an impact” on values, he said.

“It’s the package of amenities that a building offers that is inherent in the value of the building,” he said.

As they consider the Big Three amenities (gyms, roof decks and playrooms), buildings also address the ever-present desire for more storage.

“When it comes to what New Yorkers really need and complain about not having, it’s always space, and they can never have enough of it,” Mr. Phillips said. “Most of all, they need space for all the things they don’t really need.”

Some buildings continue to perfect themselves through additions like wine cellars, centrally filtered water, central air-conditioning and soundproofed windows. After the blackout three years ago, some buildings even considered installing generators.

“A lot of buildings looked at that, but I wouldn’t say a lot of buildings did it,” said Paul J. Herman, the executive vice president and director of management at Brown Harris Stevens Residential Management. “It’s noisy and dirty and an expensive proposition. It might cost \$250,000 for a 100-unit building just to power the water and elevators.”

There are far cheaper frills to be had, like a clean and cozy laundry room with potted plants, chairs and a bookshelf “library” where residents can exchange books.

There are also some measures a building can take to increase resale values without spending



a dime, including liberalizing house rules to allow washer/dryers in apartments, permitting pets, allowing strollers to be parked outside front doors and easing down-payment restrictions from 50 or even 100 percent to a more standard 20 or 25 percent.

But the most overlooked cheap fix of all may be teaching staff members to be nice to others.

“It is amazing that more boards, supers and managing agents are not aware of this issue,” said Mr. Miller of Bellmarc. At an open house on the Upper East Side a few months ago, “one of the doormen had a temper tantrum when my buyers didn’t realize they had to sign in at the desk. He reduced the wife to tears, and her husband and I were consoling her in the elevator.”

While that is an extreme example, Mr. Miller said: “It costs the board absolutely nothing to train staff not to shout into walkie-talkies as they march across the lobbies, or keep staff from yelling at each other and having loud conversations. I have even heard them use vulgarity. If a client arrives first and hears this, especially when you’re asking them to part with over a million bucks, this is not a good image.”

Of course, in established condos and co-ops, any improvement requires the board to come to a decision and then implement it. The typically glacial pace of progress may protect conservative pre-boomers for a while, but even one strong personality can tip the balance.

“Many board members act like little lambs going to the slaughter,” Ms. Bass said. “They follow whoever takes the lead.”

When residents clash, “sometimes there’s a real problem that sort of creates some bad feeling in the building,” said Suzel Stampleman, a senior associate broker at Bellmarc. Usually, boards “end up doing not as much as the new people would like and more than the older people would like.”

In the end, as Ms. Kaufman of Warburg observed: “It’s just a question of numbers. The new people will prevail as they outnumber the old people.”